

## Market Commentary

**Recap:** The crude market sold off from a high not seen since late April in early trading on Wednesday after an Iranian ballistic missile attack on US-led forces in Iraq had no impact on oil infrastructure or crude flows. The crude market posted a high of \$65.65, a level not seen since April 22<sup>nd</sup>, in overnight trading before the market erased all of its gains as those that covered early in the morning may have re-instated their short positions or those who went long started to liquidate their positions. The market was further pressured by the EIA weekly petroleum stock report, which showed an unexpected build in crude stocks of 1.16 million barrels in the week ending January 3<sup>rd</sup>. The oil market fell further after President Donald Trump signaled a de-escalation of tensions in the Middle East. It sold off more than \$3 as it sold off to a low of \$59.15 ahead of the close. The February crude contract settled down \$3.09 at \$59.61. The March Brent contract settled down \$2.83 at \$65.44. Meanwhile, the product markets ended sharply lower, with the heating oil market settling down 7.42 cents at \$1.9582 and the RBOB market settling down 7.34 cents at \$1.6488.

**Technical Analysis:** The crude market is seen retracing some of today's sharp losses. The market will likely post an inside trading day after it traded in a \$6.50 range. The market is seen finding support at its low of \$59.15. More distant support is seen at \$58.05, its 50% retracement level off a low of \$50.44 and a high of \$65.65 followed by \$56.25, its 62% retracement level. Meanwhile, resistance is seen at \$60.50, \$61.63, its 38% retracement level off a low of \$59.15 to a high of \$65.65, \$62.40, its 50% retracement level and \$63.17, its 62% retracement level.

**Fundamental News:** The US military said Iran launched a major ballistic missile attack on US-led forces in Iraq in the early hours of Wednesday. Iran fired more than a dozen ballistic missiles against US-led forces, hours after US Defense Secretary, Mark Esper, said the US should expect Iran to retaliate over the US killing of Iranian military commander Qassem Soleimani in a drone attack on Friday. Later on Wednesday, US President Donald Trump signaled a de-escalation of tensions with Iran. He said "Iran appears to be standing down." He suggested the US does not seek war. To the Iranian people and the country's leaders, he said "the US is ready to embrace peace with all who seek it."

The UAE's Energy Minister, Suhail al-Mazrouei, said he saw no immediate risk to oil passing through the Strait of Hormuz after Iran attacked bases housing US forces in Iraq. The UAE's Energy Minister said OPEC would respond to any possible shortages if needed, within its "limitations".

Iran's Oil Minister, Bijan Zanganeh, said Iran was benefiting from rising oil prices and also called on the US to quit the region.

OPEC's Secretary General, Mohammed Barkindo, said that oil facilities in Iraq were secured and output was continuing. He said global spare capacity stood at about 3-3.5 million bpd, with the majority held by Saudi Arabia. He said he was confident that leaders in the Middle East were doing everything possible to restore normal conditions. In a message to US President Donald Trump, OPEC's Secretary General said OPEC alone could not shoulder the responsibility of maintaining a stable oil market.

The Wall Street Journal reported that Saudi Aramco was considering diverting tankers carrying its products to avoid the Strait of Hormuz. Separately, Saudi Arabia's state tanker operator suspended transit through the Strait of Hormuz.

IIR Energy reported that US oil refiners are expected to shut in 319,000 bpd of capacity in the week ending January 10<sup>th</sup>, cutting available refining capacity by 181,000 bpd from the previous week. Offline capacity is expected to increase to 679,000 bpd in the week ending January 17<sup>th</sup>.

**Early Market Call - as of 8:45 AM EDT**

**WTI - Feb \$59.80, up 19 cents**

**RBOB - Feb \$1.6530, up 40 points**

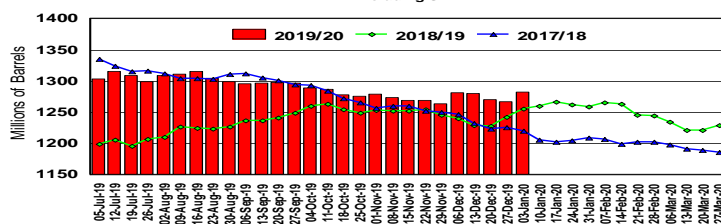
**HO - Feb \$1.9482, down 96 points**

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	1.9582	-0.0742	0.0643
Mar-20	1.9585	-0.0739	0.0580
Apr-20	1.9511	-0.0722	0.0486
May-20	1.9427	-0.0702	0.0415
Jun-20	1.9344	-0.0685	0.0369
Jul-20	1.9296	-0.0677	0.0359
Aug-20	1.9251	-0.0670	0.0355
Sep-20	1.9220	-0.0664	0.0356
Oct-20	1.9195	-0.0654	0.0354
Nov-20	1.9172	-0.0644	0.0352
Dec-20	1.9146	-0.0632	0.0349
Jan-21	1.9118	-0.0624	0.0343
Feb-21	1.9039	-0.0614	0.0317
Mar-21	1.8908	-0.0587	0.0291
Apr-21	1.8700	-0.0561	0.0273
May-21	1.8550	-0.0541	0.0278
Jun-21	1.8470	-0.0515	0.0281

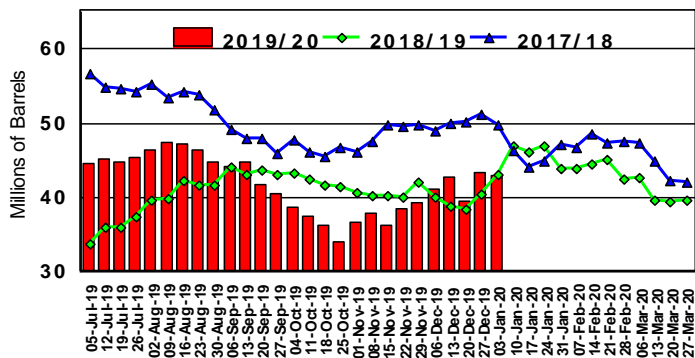
Other Front Month NYMEX	Close	Change
Crude - WTI	\$59.4600	-\$3.0500
Crude - Brent	\$65.4400	-\$2.8300
Natural Gas	\$2.1410	-\$0.0210
Gasoline	\$1.6488	-\$0.0734

**Total U.S. Oil Stocks**  
Excluding SPR



## Weekly EIA Petroleum Status Report for the Week Ending January 3, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 1.164 million barrels

Cushing, OK Crude Stocks Down 821,000 barrels

**Gasoline Stocks** Up 9.137 million barrels

**Distillate Stocks** Up 5.33 million barrels

**Refinery % Operated** 93%, down 1.5%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 3, 2020	Week Ending Dec 28, 2019	Week Ending Jan 4, 2019
New England	8.3	7.7	8.0
Central Atlantic	23.2	23.2	22.5
Total PADD #1	42.9	43.3	43.1
Distillate Imports (thousands b/d)	240	162	234